

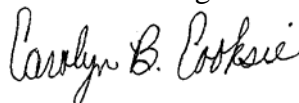
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Guaranteed Loan Making and Servicing
2-FLP**

Amendment 26

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 54 C has been amended to include language to allow PLP lenders to retain their PLP status under certain conditions.

Subparagraph 286 D has been amended to clarify the requirement for all lenders to submit RD-1980-19 for debt consolidations.

Subparagraph 244 A has been amended to update the statutory loan limits for guaranteed loans.

Subparagraph 343 A has been amended to add language clarifying the date of the decision to liquidate for Chapter 7 bankruptcy cases.

Subparagraph 355 E has been amended to include language about the payment of additional interest in Chapter 7 bankruptcy cases and cases where redemption rights apply.

Subparagraph 360 F has been amended to include language about the payment of additional interest in Chapter 7 bankruptcy cases and cases where redemption rights apply.

Subparagraph 363 B has been amended to provide instructions to State Offices on how to handle cases where a borrower has been discharged in bankruptcy and a final loss claim was subsequently paid.

Exhibit 15 has been amended to include the verification of debts over \$1,000 for when restructured.

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibit
	4-25, 4-26 4-27 (add) 10-1, 10-2 11-49, 11-50 13-7, 13-8 14-3, 14-4 14-16.5, 14-16.6 (add) 14-17, 14-18 14-23 and 14-24 14-24.5, 14-24.6 (add)	15, pages 1, 2

54 Monitoring the PLP Lender (7 CFR 762.106)**A Monitoring Reviews**

PLP lenders will provide information and access to records upon Agency request to permit the Agency to audit the lender for compliance with these regulations.

SED is responsible for ensuring that monitoring reviews are conducted on each PLP lender. This review shall be conducted according to Part 11 and shall examine the lender's approved CMS. The designated reviewer shall review * * * the lender's files according to the priorities in subparagraph 267 B.

B Maintaining an Operational File

Each Authorized Agency Official must develop and maintain an operational file as in the SEL Program. SED and DD shall also maintain a file developed as part of their Internal Annual Review.

At least annually, SED shall collect and review information on each PLP lender. SED shall examine monitoring reviews from the local office to determine the following:

- whether PLP status should continue
- whether the status should be terminated
- whether the renewal is denied for failure to comply with program requirements.

--The SED operational file shall also contain a copy of the original FSA-1980-38 and the-- lender's corresponding CMS.

54 Monitoring the PLP Lender (7 CFR 762.106) (Continued)

C Revoking PLP Status

In addition to the sanctions that may be imposed in subparagraph 48 C, a PLP lender may, at the discretion of DAFLP, have their status revoked **at any time during the 5 year term for cause. Any of the following instances constitute cause for revoking or not renewing PLP status:**

- violation of the terms of the lender's agreement
- failure to maintain PLP eligibility criteria
- knowingly submitting false or misleading information to the Agency
- basing a request on information known to be false
- deficiencies that indicate an inability to process or service Agency guaranteed farm loans
- failure to correct cited deficiencies in loan documents upon notification by the Agency
- failure to submit status reports in a timely manner
- failure to use forms, or follow credit management systems accepted by the Agency
- failure to comply with the reimbursement requirements of subparagraph 376 A.

***--The Agency may allow a PLP lender with a loss rate which exceeds the maximum PLP loss rate to retain its PLP status for a 2-year period, if the:**

- lender documents in writing why the excessive loss rate is beyond its control
- lender provides a written plan that will reduce the loss rate to the PLP maximum rate within 2 years from the date of the plan
- Agency determines that exceeding the maximum PLP loss rate standard was beyond the control of the lender; examples include but are not limited to the following:
 - a freeze with only local impact
 - economic downturn in a local area
 - drop in local land values
 - industries moving into or out of an area
 - loss of access to a market
 - biological or chemical damage--*

54 Monitoring the PLP Lender (7 CFR 762.106) (Continued)

C Revoking PLP Status (Continued)

***--The Agency will revoke PLP status if the maximum PLP loss rate is not met at the end of the 2-year period, unless a second 2 year extension is granted under this subsection.**

PLP lenders who exceed the maximum loss ratio and want to retain their status will contact their FSA State Office and explain why they believe their excessive losses are beyond their control. They will be required to develop a plan to reduce their losses below the 3 percent loss ratio, the current maximum allowed by regulations to retain PLP status.

IF the State Office determines there is...	THEN the State Office will...
adequate justification for allowing the lender to retain PLP status	make their recommendation and send an exception request to DAFLP, who will make the final decision on granting the exception. Notes: If granted, the exception may be renewed at the end of the 2-year period for another 2-year period if the lender is making satisfactory progress toward reducing their loss ratio below the standard, currently set at three percent. No further renewals or extensions would be granted. A waiver may be granted only by DAFLP.
inadequate justification for allowing the lender to retain PLP status	decline to send a request for an exception.

--*

D Reinstatement of PLP Status

A lender which has lost PLP status must be reconsidered for eligibility to continue as a Standard Eligible Lender or as a CLP lender in submitting loan guarantee requests. They may reapply for PLP status when the problem causing them to lose their status has been resolved.

55 (Withdrawn--Amend. 4)

56-68 (Reserved)

Part 10 Processing Approvals and Issuing the Guarantee**244 Loan Approval****A Loan Limits**

The maximum FO or OL levels outlined in this subparagraph include the guaranteed loan being made plus any outstanding direct or guaranteed principal balances, as indicated, owed by anyone who will sign the promissory note.

The total outstanding combined guaranteed FO, SW, and OL principal balance cannot exceed *--\$899,000.

The total outstanding direct and guaranteed FO, SW principal balance cannot exceed \$899,000.

The total outstanding direct and guaranteed OL principal balance cannot exceed \$899,000.

The total combined outstanding direct and guaranteed FO, SW, and OL balance cannot exceed \$1,099,000.

The total combined outstanding direct and guaranteed FO, SW, OL, and EM balance cannot exceed \$1,599,000.--*

Note: The dollar limit of guaranteed loans is adjusted annually based on the percentage change in the Prices Paid by Farmers Index, as compiled by USDA.

FSA personnel should refer to 1-FLP for information on loan approval authorities.

244 Loan Approval * * * (Continued)**B Submitting RD-1940-3 to the Loan Approval Official**

When the loan exceeds the Authorized Agency Official's approval authority, the Authorized Agency Official should send the approval official any information the approval official needs to evaluate the loan request, including the following:

- a completed RD-1940-3
- the loan approval screens from the appropriate automated system
- FSA-1980-25 for SEL and CLP loan applicants or FSA-1980-28 for PLP loan applicants
- FSA-1980-15 with recommended changes
- the balance sheet and cash flow statement (for SEL applicants)
- the loan narrative
- any other information the approval official requests.

Once the loan approval official executes RD-1940-3, the Authorized Agency Official may then proceed to execute all other loan-related documents, unless otherwise specified by the loan approval official.

C Lender Notification of Authorized Agency Official Decision

The lender should be informed of the approval decision in writing.

- If the application is approved and funds are available, the Authorized Agency Official *--shall prepare a letter to the lender (subparagraph D) and FSA-1980-15 and proceed to--* paragraph 245.
- If the application is approved and funds are not available, the Authorized Agency Official shall prepare a letter (subparagraph E) to the lender with a copy to the applicant, informing them the loan is approved, subject to the allocation of funding. This letter should inform the lender that funding is being requested and the loan should not be closed until they receive FSA-1980-15, agree to the conditions, and execute the document.
- If the application is rejected, the Authorized Agency Official shall prepare a letter to the lender with a copy to the applicant informing them the loan is rejected, the reasons for rejection, and their right to appeal the decision as outlined in 1-APP.

286 Consolidation of Debt (7 CFR 762.146(e)) (Continued)**A Overview (Continued)**

The combining of outstanding principal and interest balances of 2 or more OL's or LOC's constitutes a consolidation of debt.

The following FSA loans cannot be consolidated:

- FO's
- **OL's or lines of credit secured by real estate**

Note: The statute prohibits consolidation for loans secured by real estate.

- **OL's or lines of credit with outstanding Interest Rate Buydown Agreement, IA Agreement, or SAA**
- non-FSA loans.

The following conditions also apply to consolidation:

- **guaranteed loans made before October 1, 1991, cannot be consolidated with those loans made on or after October 1, 1991**
- when 2 or more OL's or LOC's are consolidated the combined principal and interest must be kept separate; capitalization of interest is not allowed when loans are only being consolidated.

***--Note:** When a loan is consolidated with a loan that was made using FSA-1980-25 or FSA-1980-28 with the July 20, 2001, or later revision date, the consolidated debt is eligible for offset.--*

B Request for Consolidation

SEL's must submit a feasible plan to FSA for concurrence before consolidating loans. CLP and PLP lenders may consolidate loans as long as the requirements of this paragraph are met.

286 Consolidation of Debt (7 CFR 762.146(e)) (Continued)**C Lender Actions to Consolidate Loans**

A new note or line of credit agreement will be taken. The new note or line of credit agreement must describe the note or line of credit agreement being consolidated and must state that the indebtedness evidenced by the note or line of credit agreement is not satisfied. The original note or line of credit agreement must be retained.

The interest rate for a consolidated OL loan is the negotiated rate agreed upon by the lender and the borrower at the time of the action, subject to the loan limitations for each type of loan.

The Agency approves the consolidation by executing a modification of guarantee. The modification will indicate the consolidated loan amount, new terms, and percentage of guarantee, and will be attached to the originals of the guarantees being consolidated. If loans with a different guarantee percentage are consolidated, the new guarantee will be at the lowest percentage of guarantee being consolidated.

Any holders must consent to the consolidation, or the guaranteed portion must be repurchased by the lender.

D FSA Response to Consolidation Request

The Authorized Agency Official must approve of a SEL request for consolidation. When SEL submits a request for a loan consolidation, the Authorized Agency Official should verify the following:

- only OL's and LOC's are being considered for consolidation
- the consolidation does not cause the loan principal to exceed program loan limitations
- the consolidation does not adversely affect the value of the security and the lender's security position.

The Authorized Agency Official must complete RD-1980-19 based on the information received from SEL and submit it to the Finance Office, along with a memorandum describing which loans were consolidated.

If a PLP or CLP lender consolidates loans:

- copies of documents will be obtained
- compliance with regulations will be verified through annual file reviews
- *--RD-1980-19 is completed and submitted to the Finance Office, along with a memorandum describing which loans were consolidated.--*

343 Lender's Claims for Expenses and Estimated Losses in Liquidation Bankruptcy Proceedings (7 CFR 762.148)

A Claims for Expenses in Liquidation

[7 CFR 762.148(b)] Reasonable and customary liquidation expenses may be deducted from the proceeds of the collateral in liquidation bankruptcy cases or in reorganization bankruptcy where the plan calls for a partial liquidation of the collateral.

- **In-house expenses are not considered reasonable and customary liquidation expenses and may not be deducted from collateral proceeds.**
- **[7 CFR 762.148(d)] Upon receipt of notification that a borrower has filed for protection under Chapter 7 of the Bankruptcy Code, or upon confirmation of a liquidation plan under Chapter 11, the lender must proceed according to the liquidation procedures of this part (Part 14).**
- **--For purposes of calculating the time frames required under § 762.149 of this part, for a borrower who is or will be liquidated, the date the borrower files for bankruptcy protection under Chapter 7 shall be the date of the decision to liquidate.--***
- **If the property is abandoned by the trustee, the lender will conduct the liquidation according to § 762.149, and seek to realize value from the property.**
- **Proceeds received from partial sale of collateral during bankruptcy may be used by the lender to pay reasonable costs, such as freight, labor and sales commissions, associated with the partial sale. Reasonable use of proceeds for this purpose must be documented with the final loss claim in accordance with § 762.149(a)(vi).**

344 FSA Responsibilities in Bankruptcy Proceedings**A Agency Monitoring**

The Authorized Agency Official must review the default status report, submitted by the lender and periodically monitor the lender's files to ensure that all necessary actions are taken by the lender concerning a bankruptcy case. This review should include verifying that the lender:

- files proof of claim and all necessary papers and pleadings concerning the case
- attends and where necessary participates in meetings of the creditors and all court proceedings
- seeks adequate protection of the collateral
- advises the Authorized Agency Official of the status of the bankruptcy action
- requests modification or dismissal of any plan of reorganization if it appears that additional recoveries are likely or if the borrower fails to comply with the requirements of the plan.

During a bankruptcy proceeding, the Authorized Agency Official must:

- determine the necessity of an independent appraisal of collateral
- review documentation supporting loss claims, including expense claims, submitted by the lender.

B Review of Bankruptcy Loss Claim

The Authorized Agency Official must:

- review RD-449-30 submitted by the lender, for accuracy, to ensure that RD-449-30 is coded correctly
- accept the loss claim or contact the lender to obtain revisions or additional information
- forward the claim to SED or its designee.

***--Note:** The payment of any loss claim under a Chapter 7 or reorganization bankruptcy establishes a Federal debt, but is not subject to offset.--*

All loss claims must be approved by SED. Following approval, SED shall forward approved loss claims to the Finance Office.

345-354 (Reserved)

355 Liquidation Process (7 CFR 762.149) (Continued)

D Decision to Liquidate Must Be Reached or a Loan Restructuring Plan Must Be Implemented

Sometime between the date that the borrower's payment was due but not paid and 45 calendar days thereafter, the lender is expected to notify the borrower of the default and meet with the borrower to discuss solutions. Within 75 calendar days of this meeting (or unsuccessful attempts to meet) the account should be paid current or restructured. If a solution that requires more than 75 calendar days (90 calendar days after default) is agreed to, the reasons should be indicated on FSA-1980-44. The Authorized Agency Official shall review FSA-1980-44 and depending on what the lender's plans are, concur with the lender's plan, request a restructuring plan, request a liquidation plan, or mark the file for a follow up action as of the date the account is supposed to be paid current.

E Liquidation Plan and Estimated Loss Claim Must Be Submitted

Within 30 days of the decision to liquidate, standard eligible and CLP lenders will submit a written liquidation plan to the Agency (see paragraph 358). An estimated loss claim will be submitted by the lender with the liquidation plan if the liquidation is expected to exceed 90 days (see paragraph 359). PLP lenders will submit a liquidation plan if it is required by their Lender's Agreement.

If the liquidation is expected to be completed within 90 calendar days of the decision to liquidate, the submission of an estimated loss claim is not necessary.

The Authorized Agency Official shall review the lender's estimates of time frames and, based on their knowledge of the case and similar cases in their area, advise the lender of any concerns. If the lender estimates that liquidation will take less than 90 calendar days, FSA *--shall pay no more than 90 calendar days of interest on the final loss. (See paragraph 360 F for information about additional interest that may be paid in some Chapter 7 Bankruptcy cases and when state redemption rights delay the sale of property.) Also, if liquidation is--* expected to take longer than 90 calendar days and the lender estimates that there will be no loss on the loan after considering the net recovery value of the security, the lender will either discontinue interest on the loan as of 90 calendar days after the decision to liquidate, or submit an estimated loss of \$0. If liquidation is expected to exceed 90 calendar days and a loss is expected, the lender must submit an estimated loss claim. The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by FSA. See subparagraph 359 A. If the lender fails to report default on a guaranteed loan to FSA or otherwise comply with the requirements of this part, FSA shall pay interest that accrues only up to 90 calendar days after default as part of a final loss claim.

355 Liquidation Process (7 CFR 762.149) (Continued)**F Liquidation Plan Is Approved or Rejected by FSA**

When the decision has been made to liquidate, a liquidation plan is required to be submitted by a CLP lender or SEL in all cases, including where all of the security has been sold, the borrower is liquidating voluntarily, or when no loss is expected. FSA shall review a lender's liquidation plan and either approve it or request modifications within 20 calendar days after it is received. See subparagraph 358 F.

G Estimated Loss Claim Is Approved by FSA or Modified by Lender

If an estimated loss claim is submitted, it may be reviewed and approved separately from the liquidation plan. FSA shall respond in writing within 30 calendar days of the receipt of the lender's estimated loss claim. If FSA wishes to dispute the estimated loss claim, FSA will resolve their differences with the lender before this 30-calendar-day deadline. See subparagraph 359 F.

SED shall determine the level of review to be conducted on each estimated loss claim.

Estimated loss claims submitted by PLP lenders will be reviewed only for the accuracy of RD-449-30 and any mathematical calculations. Lenders will reimburse FSA for any

--overpayments on estimated loss claims at the time of a final loss, plus interest, at the note rate.--

H Liquidate

Liquidation is expected to be completed within 230 calendar days after the borrower was declared in default, unless otherwise approved in the liquidation plan.

I Final Loss Claim Is Submitted

Lenders may submit a final loss claim when the security has been liquidated and all proceeds have been received and applied to the account. See paragraph 360.

A final loss claim should be submitted within 30 calendar days of the completion of liquidation or within 260 calendar days after the borrower was declared in default, unless an extension of this period is granted. The Authorized Agency Official shall document the request for an extension and approve it or reject it as soon as practical.

The Authorized Agency Official shall monitor liquidations and request a loss claim when they are aware that an account has been liquidated. A final loss claim will be reduced if there are unjustified delays in liquidation or submission of a claim. If the account is paid in full, FSA-1980-44 and FSA-1980-41 shall be input indicating that the loan is paid and the guarantee terminated.

360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)**F FSA Approval and Payment of Final Loss Claim (Continued)**

*--In the case of a Chapter 7 bankruptcy, where the lender filed an estimated loss claim, the Agency will pay the lender interest that accrues during and up to:

- **45 calendar days after the date of discharge on the portion of the chattel only secured debt that was estimated to be secured but upon final liquidation was found to be unsecured**
- **90 calendar days after the date of discharge on the portion of real estate secured debt that was estimated to be secured but was found to be unsecured upon final disposition**

The Agency will pay the lender interest which accrues during and up to 90 calendar days after the time period the lender is unable to dispose of acquired property because of State imposed redemption rights, on any unsecured portion of the loan during the redemption period, if an estimated loss claim was submitted by the lender or paid by the Agency during the liquidation action.--*

FSA shall pay the lender the guaranteed percentage of the unpaid balance remaining on the loan after liquidation and application of proceeds. To verify that the amount requested is valid, SED shall review the County Office loan file, the lender's loan ledgers, and, for PLP, the lender's loan file. If there are any discrepancies in the lender's application processing or loan servicing, the lender will be requested to provide clarification or explanation if the concern may have contributed to failure of the loan or caused a monetary loss. If security was not obtained as indicated on the application, the value will be deducted from the lender's claim, if that value is known or can be reasonably estimated. In the case of unaccounted for security that was not sold, traded, or explained in some manner, the value of the collateral will be deducted only to the extent that the actions of the lender contributed to its misplacement.

360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)**F FSA Approval and Payment of Final Loss Claim (Continued)**

Interest accrual on a final loss should be the same as on the estimated loss except for the *--amount that accrued while the payment was being issued and in some Chapter 7 Bankruptcy cases and cases where State redemption rights delay disposal of property. If liquidation--* was completed as planned and the claim was timely submitted to FSA, additional interest may be paid for the number of calendar days over 40 that FSA took to review the claim up to the date of the check. If an estimated loss was not paid, SED shall determine whether the lender has liquidated the account in a timely manner. If liquidation was unduly delayed or the lender did not comply with the reporting requirements of this part, interest accrual will be included on the claim to the date that SED determines that liquidation should have reasonably been accomplished.

Interest accrual as part of a lender's final loss claim will never exceed 90 calendar days from the date of the decision to liquidate, plus any additional days over 40 calendar days that it took FSA to review the claim up to the date of the check, for all claims made after February 12, 1999, in which an estimated claim was not filed and the final claim was submitted within 90 calendar days of the date of the decision to liquidate.

If an estimated claim was not submitted and the final claim was submitted beyond 90 calendar days of the date of the decision to liquidate, interest accrual will not be paid beyond 90 calendar days from the date of the decision to liquidate for all claims made after February 12, 1999.

Interest accrual as part of a final claim will be the same as the estimated claim for all final *--claims in which an estimated claim was previously submitted except for some Chapter 7 Bankruptcy cases and where State redemption rights delay disposal of property.--*

FSA may pay a loss when a borrower sells security out of trust. If the borrower has converted loan security, the lender shall determine whether litigation is cost-effective. The lender must determine whether civil or criminal action is cost-effective and will be pursued. If the lender does not pursue the recovery, the reason must be documented when a loss claim is submitted. If recovery of converted security through legal action is possible, a lender may still submit a final loss claim and reimburse FSA according to subparagraph 362 A after proceeds are collected.

360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)**F FSA Approval and Payment of Final Loss Claim (Continued)**

If a lender's loss claim is denied or reduced, SED shall notify the lender in writing immediately of the decision. Lenders may appeal this decision according to 1-APP.

***--Note:** For loans made before February 12, 1999, denied lender's loss claims will be handled according to FmHA Instructions 1980-A and 1980-B in effect at the time the guarantee was issued. See Exhibit 16.5.--*

When the final RD-449-30 is accepted by the Authorized Agency Official and approved by SED, SED shall forward RD-449-30 to the Finance Office for payment. The final loss claim will be paid up to the maximum amount allowed as provided in subparagraph 195 C. In the case of a loan that is a total loss, the loss payment may exceed the original guaranteed principal and accrued interest, if it includes emergency advances or protective advances.

G Overpayment

If the final loss is less than the estimated loss, the lender will reimburse the Agency for the overpayment plus interest at the note rate from the date of the estimated loss payment.

The lender's ledger provided with the final loss claim should reflect that since the estimated claim was paid, the following has occurred:

- application of liquidation proceeds net of expenses
- approved protective advances
- any voluntary payments
- no additional interest accrual except on protective advances.

The ledger should not reflect that the FSA-estimated loss claim was applied as a regular payment. The amount of overpayment or underpayment will be calculated on RD-449-30. The interest due on any loss claim will be calculated by KCFO, St. Louis based upon the borrower's rate of interest and the date the estimated claim was paid. If the lender wishes to submit a check with their request for a final loss claim, this amount may be obtained by contacting the KCFO, St. Louis technician before submitting RD-449-30.

H Return of Guarantee

The lender will return the original Guarantee marked paid after receipt of a final loss claim.

The final loss claim payment will be sent by EFT whenever possible. Return of the Guarantee is not required before EFT or delivery of a check. After verification that the final loss claim has been paid, the account will be terminated in GLS.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

B Guaranteed Final Loss Claim Payments Not Subject to Offset

Final loss claim payments for borrowers who executed FSA-1980-25 with a revision date of July 27, 1999, or earlier, or FSA-1980-28 with a revision date of April 7, 1999, or earlier, shall not be offset.

Loans approved using FSA-1980-25 or FSA-1980-28 with the July 20, 2001, or later revision date that are discharged in bankruptcy, will establish a Federal debt, but generally are not subject to offset. Any case where a final loss claim was paid after a Chapter 7 discharge should be processed as follows:

- all pertinent information, such as loss claim and documentation on the bankruptcy including the discharge order, is to be provided to the Regional OGC, requesting their opinion as to whether or not offset can be pursued
- document the case file with OGC's recommendation:
 - if Regional OGC's opinion is that the loan is not subject to offset, then no further action is required
 - if Regional OGC's opinion is that the loan is subject to offset, then immediately follow the requirements of subparagraphs 363 D through G.--*

Notes: Any debt reaffirmed under Chapter 7 bankruptcy on which a final loss claim is later paid, is considered a Federal debt and shall be subject to offset.

In a reorganization bankruptcy, if the confirmed plan is not successfully completed and the bankruptcy is dismissed, the payment of a final loss claim will be considered a Federal debt and shall be subject to offset.

C Payments Not Subject to Offset

The following payments are not subject to offset:

- Federal crop insurance indemnity payments
- the initial payment for planting expenses under certain conservation programs
- program payments ineligible for offset.

Payments will not be offset when the Authorized Agency Official determines that it is not in the best interest of the Government.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

D Debtor Notification of FSA's Intent to Offset

Immediately upon confirmation of a final loss claim payment, the Authorized Agency Official shall provide the debtor and any co-debtors notification of intent to offset using Exhibit 17, according to this subparagraph and 7 CFR Part 3.

Exhibit 17 must be sent to debtors by certified mail. If Exhibit 17 is returned, the Authorized Agency Official shall use first class mail or personal delivery.

The date Exhibit 17 was received by the debtor and/or co-debtor will be entered in GLS for:

- tracking
- referral of debt for offset.

The Authorized Agency Official shall provide written notification to debtors a minimum of:

- 30 calendar days before affecting non-centralized administrative offset and IAO
- 60 calendar days before affecting TOP.

If a USDA payment will be made to a debtor within 30 calendar days of the payment of a final loss claim and FSA finds that failure to take the offset would substantially prejudice the Government's ability to collect the debt, FSA shall notify the debtor that FSA will/has offset the payment due using Exhibit 18.

Exhibit 18 shall:

- contain the reasons FSA had to affect IAO and non-centralized administrative offset
- be sent to the debtor as soon as possible.

The debtor's pro rata share of entity payments will be offset according to 7 CFR Part 3 and RD Instruction 1951-C, section 1951.106 after the nondebtor entity members have been notified using Exhibit 19 or 20, as appropriate.

Note: The Authorized Agency Official shall request written concurrence from SED before
--sending Exhibit 18 or 20.--

Authorized Agency Officials shall follow RD Instruction 1951-C, paragraphs 1951.103 (c) through (g) to handle debtor requests received as a result of the receipt of Exhibits 17 through 20.

Debtors proposing an agreement to repay the debt as an alternative to offset must include the full amount of the Federal debt. The Federal debt must be paid within a short period of time.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

E Salary Offset

The Authorized Agency Official shall determine whether collection by salary offset is feasible according to 7 CFR Part 3 and RD Instruction 1951-C, paragraph 1951.111.

F Referral of Debt for IAO Offset

The Authorized Agency Official shall refer debtors:

- immediately for IAO and non-centralized administrative offset if Exhibit 18 or 20 was sent
- for IAO and non-centralized administrative offset 30 calendar days after sending Exhibit 17 or 19, and/or after the conclusion of a review or appeal.

Lender Documentation and Reporting Requirements

Document Submitted	SEL	CLP	PLP
General Loan Servicing			
FSA-1980-41, Guaranteed Loan Status Report	√	√	√
Projected Cash Flow for the coming year (for Lines of Credit)	√		
--Borrower's Balance Sheet and Income Expense Statement for the previous year, if applicable	√--		
Annual Farm Inspection	√		
Narrative and Certification that the Borrower Analysis has been Performed and Borrower Progress is Satisfactory		√	
Certification that projected cash flow is feasible (for Lines of Credit)		√	
Secondary Market			
FSA-1980-36, Assignment of Guarantee	√	√	√
Distressed Servicing			
FSA-1980-44, Guaranteed Loan Borrower Default Status Report (every 60 days after initial borrower/lender meeting)	√	√	√
RD-449-30, Loan Note Guarantee Report of Loss	√	√	√
Agency approval of the Liquidation Plan	√	√	
FSA-1980-26 Report on Collection Activities on Liquidated Accounts	√	√	√

Lender Documentation and Reporting Requirements (Continued)

Document Submitted	SEL	CLP	PLP
Restructuring Loans			
Agency Approval of Restructuring Request	√		
Written Certification that the requirements of §1980.145 have been met		√	
Memo explaining the restructuring and certifying that the loan has become current.		√	√
Narrative describing the proposed restructuring	√		
A feasible plan	√		
Current Financial Statement from all liable parties	√		
Verification of nonfarm and other farm income	√		
-- Verification of all debts of \$1,000 or more	√--		
Borrower Credit Report	√		
Financial history for previous three years	√		
Production history for the previous three years	√		
Copies of Restructured Promissory Notes	√	√	√
Copy of FSA-1980-44 stating the loan is current under restructured conditions	√	√	√
Request for Capitalization of Interest	√		
FSA-1980-84	√	√	√